

U. S. TREASURY DEPARTMENT  
Internal Revenue Service  
Washington 25, D. C.

Alcohol and Tobacco Tax Division  
Industry Circular No. 56-17

May 10, 1956

Redistillation or Destruction of Distilled  
Spirits Pursuant to a Timely Application

Proprietors of registered distilleries,  
fruit distilleries, and bonded  
warehouses, and others concerned:

1. The purpose of this circular is to clarify the procedure to be observed in disposing, either through redistillation or destruction, of distilled spirits in bond which are approaching the age of eight years.
2. Form 1577, "Destruction of Distilled Spirits", is to be used solely to cover the destruction of distilled spirits. Destruction must be accomplished by running the spirits into the sewer or by other suitable means of completely destroying the spirits as required by the law. Redistillation does not constitute destruction of the spirits within the law, it merely changes their condition or character; the use of Form 1577 for this purpose is improper.
3. In cases where the spirits are approaching the age of eight years and the warehouseman (a) desires to have the spirits redistilled, he will present an application on Form 236 (which must be filed by the receiving distiller) to the storekeeper-gauger to cover the transfer, (b) desires to destroy the spirits, he will present an application on Form 1577 to the Assistant Regional Commissioner, through the storekeeper-gauger, and (c) is undecided whether spirits will be redistilled or destroyed, two applications may be presented, one on Form 236, as described in (a) above, for transfer of the spirits for redistillation, the other on Form 1577, as described in (b) above, for destruction of the spirits. These documents will be filed and disposed of in the manner prescribed by the applicable provisions of 26 CFR Parts 220, 221, and 225. If circumstances are such that the proprietor may not be able to complete removal of the spirits for redistillation or the destruction before the end of the eight-year period, he will notify the Assistant Regional Commissioner of the reasons for failure to so remove or destroy the spirits and state his planned schedule for disposition of the spirits.

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4. Prompt action must be taken to effect the destruction or redistillation of the spirits pursuant to such documents. If any of the spirits remain on hand in the warehouse at the end of the eight-year period they will be gauged for the purpose of determination of tax and subsequent assessment, if required, in the manner provided by 26 CFR Part 225. This, however, will not preclude the destruction or redistillation of the spirits if the warehouseman acts in good faith, and promptly, in the matter of redistilling or destroying the spirits. It is necessary that the applications, referred to in paragraph 3, be filed prior to the expiration of the eighth anniversary of storage. The filing of a timely application will not preclude taxpayment and withdrawal of the spirits covered by the application, if before destruction or redistillation is actually effected it is desired to taxpay and withdraw the spirits. Applications timely filed would enable the warehouseman to hold the spirits temporarily, if necessary, in order to complete removal for redistillation or the destruction of the spirits. If timely applications are filed, as indicated, for destruction or redistillation of the spirits, partial disposition may be made under either method, or the spirits may be completely disposed of under one method. Failure to effect destruction or redistillation of spirits covered by a timely application within a reasonable time after expiration of the eight-year period will result in assessment of tax on the spirits and the consequent loss of the privilege of voluntary destruction or redistillation.

  
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